

REBUTTAL TESTIMONY OF

DANIEL F. KASSIS, P.E.

ON BEHALF OF

DOMINION ENERGY SOUTH CAROLINA, INC.

DOCKET NO. 2021-88-E

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
2 **OCCUPATION.**

3 A. My name is Daniel (“Danny”) F. Kassis. My business address is 2392 West
4 Aviation Avenue, North Charleston, South Carolina 29406. I am the General
5 Manager of Strategic Partnerships & Renewable Energy, for Dominion Energy
6 South Carolina, Inc. (“DESC”). My responsibilities include developing DESC’s
7 strategy for deploying and utilizing renewable assets consistent with state policy in
8 the most efficient and beneficial manner to DESC’s customers. I oversee customer
9 facing solar and all renewable energy initiatives for DESC and I am also responsible
10 for negotiating and obtaining final approval for renewable energy purchase
11 contracts for DESC. I have signed all purchase contracts for DESC under the
12 Distributed Energy Resources Act, as well as numerous renewable resource power
13 purchase agreements.

14
15 **Q. ARE YOU THE SAME DANNY KASSIS THAT OFFERED DIRECT**
16 **TESTIMONY IN THIS DOCKET?**

1 A. Yes, I am.

2

3 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

4 A. The purpose of my rebuttal testimony is to respond to the direct testimony of
5 Witness Horii, Witness Levitas, Witness Burgess, and Witness Sercy. In response
6 to Witness Horii's suggestion to keep the interim amount of the Variable Integration
7 Charge ("VIC") in place, subject to a future true up, I briefly provide the
8 Commission with an overview of the various analyses presented to the Commission
9 establishing the need for such a VIC and the amounts at which DESC estimates such
10 VIC. Although DESC disagrees with the amount of the interim VIC, DESC agrees
11 with Witness Horii's suggestion, so long as this interim number is subject to a future
12 true up in accordance with Witness Horii's suggestion. As for Witness Levitas, I
13 explain why his proposed "commercial reasonableness" standard of review is
14 simply unworkable in this docket—particularly given the Commission's rejection
15 of this identical standard in a prior docket. I also respond to Witness Levitas's
16 assertion that the interim VIC creates difficulties in the marketplace for QFs, and
17 highlight that DESC's real-world experience with this interim VIC indicates no such
18 difficulties. Finally, I describe the substantial stakeholder and intervenor input that
19 went into DESC's implementation of the VIC in response to Witness Burgess, and
20 detail precisely how transparent DESC has been in this proceeding in response to
21 Witness Sercy. The lack of a response to any of the specific assertions made by any
22 witness does not necessarily constitute DESC's agreement to those assertions.

REBUTTAL TO DIRECT TESTIMONY OF WITNESS HORII

Q. DO YOU AGREE WITH WITNESS HORII'S TESTIMONY ON PAGE 7, LINES 1-3, THAT THE EFFICIENT INTEGRATION OF RENEWABLE ENERGY GENERATION CREATES ADDITIONAL COSTS FOR UTILITIES?

A. I agree with Witness Horii's testimony on lines 5 through 11 where he states:

E3 observed that increasing amounts of solar and wind generation can require additional ramping capability and reserves to meet both the intermittent nature of solar and wind generation and the diurnal ramping characteristics of solar generation. The cost impact may include higher start-up costs, fuel costs, and operating and maintenance ("O&M") costs resulting from resources operating at levels below their maximum efficiency to allow upward headroom to ramp up output. Costs may also increase for additional generation plant required to provide additional flexible capacity.

While DESC does not currently have intermittent wind generation supplying its system, DESC's experience is otherwise consistent with his observations. While it may be inferred from his testimony, we should be clear these additional costs that should be borne by the generators which cause these costs. These costs are caused by variable generators but they are shouldered by customers—that is why the Commission established a Variable Integration Charge (the "VIC") so that cost responsibility aligns with cost causation. DESC recognizes the need for symmetry that Witness Horii stops short of fully endorsing.

Q. PLEASE PROVIDE A BRIEF HISTORY OF DESC'S PROPOSED VIC.

1 A. As DESC has proven in past proceedings before the Commission, DESC's
 2 customers incur additional costs as a result of variable, uncontrolled solar QFs on the
 3 DESC system. In Order No. 2019-847, the Commission acknowledged the need to
 4 impose a VIC, and held that the imposition of Integration Charges in an interim
 5 amount of \$2.29/MWh was "just and reasonable to customers, consistent with
 6 PURPA and FERC regulations and orders, non-discriminatory to QFs, and serve[s]
 7 to reduce the risk placed on the using and consuming public." Order No. 2019-847
 8 at 56, issued on December 9, 2019, in Docket No. 2019-184-E. Although the initial
 9 value of \$2.29/MWh was reduced by the Commission in Order No. 2020-244 to
 10 \$0.96/MWh—a value much lower than that put forward by Guidehouse's
 11 comprehensive analysis of DESC's system in this docket¹—the Commission held
 12 that the imposition of Integration Charges at such initial value was "supported by the
 13 evidence of record."²

14 In establishing the interim value for Integration Charges, the Commission
 15 held that a superseding value would be implemented once "the integration study
 16 process set out in Section 58-37-60 is completed."³ S.C. Code Ann. § 58-37-60(A),
 17 as implemented by S.C. Act No. 62 of 2019 ("Act 62") provides, in part:

18 The [C]ommission and the Office of Regulatory Staff are authorized
 19 to initiate an independent study to evaluate the integration of
 20 renewable energy and emerging energy technologies into the electric
 21 grid for the public interest. An integration study conducted pursuant to
 22 this section shall evaluate what is required for electrical utilities to
 23 integrate increased levels of renewable energy and emerging energy

¹ This interim value is also substantially lower than the value of the VIC calculated by the ORS in that docket.

² Order No. 2020-244 at 4, issued on March 24, 2020, in Docket No. 2019-184-E.

³ Order No. 2019-847 at 21, issued on December 9, 2019, in Docket No. 2019-184-E.

1 technologies while maintaining economic, reliable, and safe operation
2 of the electricity grid in a manner consistent with the public interest.
3 Studies shall be based on the balancing areas of each electrical utility.
4

5 Therefore, the Integration Study with respect to DESC will also evaluate the issues
6 on the DESC system that DESC has laid before the Commission time and time
7 again—the reliability challenges arising from the increasing levels of variable
8 generation which are at high levels, which are expected to increase further, on the
9 DESC system.

10 In preparation for the filings in this docket, DESC engaged Guidehouse, a
11 nationally-recognized independent consulting firm, to further examine the impacts
12 to the DESC system arising from the integration of variable generation. Although
13 Witness David will describe this analysis in greater detail, Witness David performed
14 a comprehensive analysis of solar generation on the DESC system, which included
15 a solar uncertainty analysis, utilization of Guidehouse’s proprietary production cost
16 model, and a 100-draw Monte Carlo simulation to determine the costs to DESC and
17 its customers arising from these variable generators. In short, the Guidehouse study
18 in this docket mirrors what DESC has proven in prior dockets before the
19 Commission—DESC and its customers take on additional incremental costs as a
20 direct result of integrating this variable, “must purchase” generation onto the DESC
21 system.
22

23 **Q. WHY IS THE VIC IMPORTANT TO DESC?**

1 A. While the VIC is important to DESC, keep in mind the real benefit is to
2 DESC's customers. Variable generators create added reliability concerns and issues
3 on the DESC system, which require DESC to maintain additional operating reserves
4 to ensure reliability and guard against the possibility of an unacceptable shortfall in
5 such reserves. As Witness Hanzlik will show, variable solar QFs can have frequent,
6 unplanned drops in generation that exceed 60% of their nameplate ratings. Witness
7 Hanzlik will also provide more details regarding the impact of these generation drops
8 on the DESC system and how they impact DESC compliance with mandatory
9 reliability standards. The additional reserves DESC maintains ensure that we are
10 prepared for these large, unplanned drops in generation such that DESC's overall
11 ability to reliably serve customers and balance the DESC system is not adversely
12 affected. However, maintaining these reserves necessarily means that DESC incurs
13 costs. To prevent DESC's customers from being responsible for those costs, DESC
14 recoups them from the generators necessitating such costs under Solar Contracts via
15 Integration Charges.

16
17 **Q. DO YOU AGREE WITH WITNESS HORII'S PROPOSAL ON PAGE 9,**
18 **LINES 17-18, THAT "THE VIC REMAIN AT \$0.96/MWh AND REMAIN**
19 **SUBJECT TO A FUTURE TRUE UP AS CONTEMPLATED IN ORDER NO.**
20 **2020-244"?**

21 A. I do not agree with Witness Horii's proposal because as I explained above
22 DESC has clearly proved not only the need for the VIC but also the proper amount

1 for a VIC. Nevertheless, DESC understands there is a separate integration-study
2 docket ongoing before the Commission and is therefore willing to accept Witness
3 Horii's proposal that the VIC remain at \$0.96/MWh on an interim basis, so long as
4 the VIC remains subject to a future true up.

5
6 **Q. IS IT IMPORTANT TO MAINTAIN BOTH PARTS OF WITNESS HORII'S**
7 **PROPOSAL?**

8 A. Yes. Witness Horii recognizes that \$0.96 is an interim value that is subject to
9 a future true up. There is a long and detailed record that establishes a higher
10 permanent value so this value must be subject to future true up. To be clear, we are
11 willing to accept Witness Horii's proposal that this interim VIC remain at \$0.96, so
12 long as it remains subject to future true up.

13
14 **REBUTTAL TO DIRECT TESTIMONY OF WITNESS LEVITAS**

15 **Q. IS IT APPARENT FROM WITNESS LEVITAS'S TESTIMONY WHETHER**
16 **HE IS TESTIFYING IN HIS INDIVIDUAL CAPACITY, ON BEHALF OF**
17 **CCEBA, OR ON BEHALF OF PINE GATE?**

18 A. Witness Levitas clearly states that he is testifying on behalf of the Carolinas
19 Clean Energy Business Association ("CCEBA"). However, he offers no explanation
20 of a stakeholder process or other means by which the members of CCEBA
21 collectively expressed their thoughts or achieved an agreement on the opinions set
22 forth in his testimony. It is unclear whether there is universal agreement on all these

1 points or if some of his suggestions are only supported by a narrow majority of
2 CCEBA. Additionally, his position is further confused by the fact that Pine Gate is
3 an intervenor in this docket, and Witness Levitas makes reference to Pine Gate as a
4 generic representative of the industry, while also making multiple references to his
5 personal beliefs rather than the collective beliefs of CCEBA.
6

7 **Q. ON PAGE 7, LINE 7, WITNESS LEVITAS STATES THAT ALL OF DESC'S**
8 **FILINGS IN THIS DOCKET SHOULD BE JUDGED BY A "COMMERCIAL**
9 **REASONABLENESS" STANDARD. HAS THE COMMISSION**
10 **CONSIDERED THIS REQUEST IN OTHER DOCKETS?**

11 A. Yes. In fact, Witness Levitas advanced the same argument on behalf of the
12 South Carolina Solar Business Alliance in DESC's previous avoided cost proceeding
13 in Docket No. 2019-184-E. There, the Commission declined to adopt such a
14 standard, noting that "attempting to define the term 'commercial reasonableness' in
15 this context would likely exacerbate disputes between QFs and DESC over the
16 meaning of the language."⁴ As such, Witness Levitas's analysis of DESC's Form
17 PPA, Standard Offer, and NOC Form is fundamentally flawed given that it rests upon
18 a standard which this Commission has already recognized as problematic to
19 implement, at the very least. Moreover, Witness Levitas offers nothing more than
20 his individual opinion regarding the appropriateness of various DESC proposals.

⁴ Order No. 2019-847 at 59, issued on December 9, 2019, in Docket No. 2019-184-E.

1 Witness Levitas's individual opinion, without more, does not constitute "generally
2 prevailing practice in the industry." Finally, Witness Levitas in no way attempts to
3 tie his personal opinion to "generally prevailing practice in the industry."

4 Notwithstanding Witness Levitas's flawed argument and clear agenda, DESC
5 has made a good faith effort to incorporate Witness Levitas's suggestions wherever
6 possible. However, DESC must first and foremost represent the interest of its
7 customers. On the other hand, Witness Levitas simply claims without adequate
8 support or substantiation that contract terms that make it difficult for QFs to obtain
9 financing are not commercially reasonable, while making no mention of how this
10 standard would work to protect DESC's customers. Therefore, it is clear that Witness
11 Levitas is simply attempting to advance the same argument before this Commission
12 to further the interests of solar developers without regard for DESC's customers.

13
14 **Q. ON PAGE 7, LINES 12-13—NOTWITHSTANDING THE COMMISSION'S**
15 **REJECTION OF AN IDENTICAL ARGUMENT IN A PRIOR DOCKET—**
16 **WITNESS LEVITAS STATES THAT ONE WAY TO JUDGE**
17 **COMMERCIAL REASONABLENESS IS TO CONSIDER TERMS THAT**
18 **HAVE BEEN CONTAINED IN PRIOR PPAs. PLEASE RESPOND TO THIS**
19 **ASSERTION.**

20 **A.** As stated above, Witness Levitas's view of "commercial reasonableness" is
21 skewed in favor of the interest(s) he represents and it cannot be the case that any
22 changes to these documents are presumed to be unreasonable. In fact, DESC Witness

1 Levitas later attacks his own reasoning stating, “[this] factor is not necessarily
2 decisive because a prior PPA may have been financed with great difficulty or at a
3 higher cost, or a term in such PPA may simply not strike a reasonable balance
4 between competing interests.”⁵

5 Although DESC proposes to maintain a substantial majority of the terms and
6 conditions in its existing documents, the fundamental purpose of this proceeding is
7 to examine whether any adjustments are required to—among other things—ensure
8 the interests of DESC’s customers are adequately protected. Witness Levitas points
9 to no precedent before this Commission for his proposition. Witness Levitas simply
10 seeks to unnecessarily restrict DESC from fulfilling the purpose of this docket by
11 arbitrarily applying this “standard” with the ultimate goal of maintaining terms and
12 conditions that favor the interests of solar developers—such as reducing insurance
13 requirements and loosening proposed payment windows within the form surety
14 bond.

15
16 **Q. ON PAGE 7, LINES 20-22, WITNESS LEVITAS NOTES THAT DESC IS**
17 **“SEEKING TO MODIFY FORM DOCUMENTS THAT WERE**
18 **PREVIOUSLY APPROVED BY THE COMMISSION AFTER EXTENSIVE**
19 **LITIGATION.” HOW DO YOU RESPOND TO THIS STATEMENT?**

⁵ Direct Testimony of Steven J. Levitas, p. 7, ll 14-16.

1 A. Witness Levitas appears to miss this point of this exercise. DESC has added
2 insight since the last proceeding. It is advancing proposals in this docket that will be
3 reviewed and yes, litigated, before this Commission. The South Carolina Department
4 of Consumer Affairs, the Office of Regulatory Staff and representatives the solar
5 developer industry all have a chance to review these provisions and advance
6 substantive responses and analyses. To the extent Witness Levitas places confidence
7 in existing documents because they were litigated before the Commission, he can be
8 assured that any changes resulting from this proceeding will have undergone an
9 identical process. Again, Witness Levitas is simply advancing arbitrary and at times
10 competing standards presumably to maintain terms favorable to the interests he
11 represents, even if such terms are no longer in the best interest of DESC's customers.
12

13 **Q. ON PAGE 13, LINES 19-21, WITNESS LEVITAS REQUESTS FOR DESC**
14 **TO DOCUMENT THAT ITS AVOIDED COSTS RATES INCLUDE THE**
15 **COST OF PROCURING ANCILLARY SERVICES THAT ARE AVOIDED**
16 **BY VIRTUE OF ITS PURCHASE OF 'ENERGY' FROM QFS UNDER**
17 **PURPA PPAS. PLEASE EXPLAIN WHAT ANCILLARY SERVICES QF**
18 **FACILITIES PROVIDE.**

19 A. Ancillary Services are not included in the calculation of avoided costs.
20 DESC's avoided cost calculation represents the energy and capacity avoided by
21 purchasing from the QF. The ability to provide additional services that the grid
22 operator would normally provide would have to be truly avoided in order for the

1 seller to get compensated and the seller would also have to provide specific operating
2 protocol and commitments in a contract which could very well reduce other
3 compensation values. Any decision about a solar QF's ability to even provide
4 ancillary services and only then the value of such services would be fact specific—
5 only capable of being determined on a case-by-case basis by reviewing each
6 renewable generating facility. This approach is consistent with DESC's existing Rate
7 PR – Avoided Costs Methodology tariff, which states that:

8 The cost or value of ancillary services reflect the Company's
9 engineering assessment of those attributes. The Company's current
10 assessment of those attributes indicates that such costs or benefits if
11 any will be project specific but not generic to renewable generating
12 resources and thus not included in the DRR analysis.
13

14 As such, Witness Levitas's request is impractical given the nature of these form
15 contracts and contrary to the avoided cost methodology tariff that has been provided
16 to, and accepted by, the Commission.
17

18 **Q. ON PAGE 14, LINES 1 THROUGH 9, WITNESS LEVITAS DISCUSSES**
19 **REACTIVE POWER. DO YOU AGREE WITH HIS TESTIMONY AND HIS**
20 **RECOMMENDATIONS?**

21 A. No. The Interconnection Agreement ("IA") is negotiated by the Transmission
22 Provider. The PPA is negotiated by the generation purchaser. While in the context
23 of PURPA these two distinct entities are often housed under the DESC umbrella,
24 they can be entities that are not affiliated. For example, a QF may seek

1 interconnection service from a Transmission Provider that is not affiliated with the
2 purchasing entity. Therefore, each may need to address reactive power from their
3 respective vantage points. Since these are pro forma documents it is best to maintain
4 the current structure.

5 Reactive power is an ancillary service. As explained above, any decision
6 about a solar QF's ability to even provide ancillary services would be fact specific.
7 Only once this is determined, would the value of such services be determined on a
8 case-by-case basis, taking into account the specific capabilities of the generating
9 plant. DESC's form PPA references reactive power in the definition of "Energy."
10 This reference does not preclude DESC from negotiating with a QF generator
11 capable of providing such services if and when DESC has a need.

12 The Transmission Provider has specific interests in, among other things,
13 maintaining specific frequency bands and it addresses this interest in the IA. The
14 generation purchaser examines system generation supply needs. It will address such
15 needs in the PPA. There is no need to adopt Witness Levitas's suggestion at this
16 time and, as in the example above where DESC is not the party to both the IA and
17 the PPA, it may have unintended negative consequences.

18
19 **Q. ON PAGE 18, LINES 13-14, WITNESS LEVITAS CLAIMS THAT "THE**
20 **FACT THAT AN INTERIM VIC HAS BEEN IN PLACE FOR THE PAST**
21 **TWO YEARS HAS CREATED CONSIDERABLE UNCERTAINTY AND**

1 **DIFFICULTY FOR QFS.” HAS DESC SEEN EVIDENCE OF SUCH**
2 **DIFFICULTY IN THE MARKETPLACE?**

3 A. No. In fact, there are currently 17 PPAs totaling over 632 MW-AC that
4 include the following language:

5 Seller shall be responsible for the payment of all charges that result
6 from any change in any applicable law that occurs after the Effective
7 Date that imposes new or additional (i) obligations on a Party to obtain
8 or provide transmission service or ancillary services prior to the
9 Delivery Point, or (ii) variable integration charges or imbalance costs,
10 fees, penalties, or expenses, or provides benefits that, in the case of
11 either clauses (i) or (ii), are imposed, assessed or credited by the
12 transmission provider based on the impacts of energy generated by
13 variable generation projects generally (collectively, the “Variable
14 Integration Costs”). Seller shall be responsible for all Variable
15 Integration Costs, irrespective of whether the Variable Integration
16 Costs are assessed against Seller or Buyer and, to the extent any
17 Variable Integration Costs are incurred by Buyer, Seller shall promptly
18 reimburse Buyer for such Variable Integration Costs.

19
20 This language was included in these 17 PPAs during a time in which there was even
21 greater uncertainty surrounding the VIC, including whether the Commission would
22 approve a VIC at all (interim or otherwise). This provision ensured that to the extent
23 any such charge was approved by the Commission, that those generators causing
24 such additional costs would also be responsible for such costs, rather than those costs
25 being borne by DESC’s customers. Of the 17 projects with PPAs that include this
26 language, 16 have reached commercial operation and the 17th project is expected to
27 achieve this milestone early next year. As such, to the extent there is “considerable
28 uncertainty and difficulty” arising from the interim VIC as Witness Levitas claims,

1 those issues have not prevented these projects from obtaining financing and
2 achieving commercial operation.

3
4 **REBUTTAL TO DIRECT TESTIMONY OF WITNESS BURGESS**

5 **Q. ON PAGE 27, WITNESS BURGESS CLAIMS THAT DESC DID NOT**
6 **OBTAIN “PEER REVIEW OR INPUT FROM OUTSIDE**
7 **STAKEHOLDERS” WHEN DETERMINING THE AMOUNT OF THE VIC.**
8 **IS THIS TRUE?**

9 A. No and it ignores the clear history before this Commission. As I discussed
10 above, the need for, and amount of, the VIC has been examined before this
11 Commission in numerous contexts and dockets. For example, in DESC’s previous
12 avoided cost docket (Docket No. 2019-184-E), the VIC was heavily litigated and
13 examined by not only industry stakeholders and the Commission, but also by the
14 Commission’s third-party independent expert. In fact, the language cited by Witness
15 Burgess from Act 62 and the integration study mentioned therein is the topic of an
16 ongoing docket currently before the Commission (Docket No. 2020-219-A). It
17 appears that Witness Burgess is simply unfamiliar with the history of the VIC in
18 South Carolina and the implementation of Act 62’s directives by this Commission.

19
20 **REBUTTAL TO DIRECT TESTIMONY OF WITNESS SERCY**

Q. ON PAGE 33, LINE 7, WITNESS SERCY CLAIMS THAT DESC HAS NOT MET THE STANDARD OF TRANSPARENCY REQUIRED BY ACT 62. HOW DO YOU RESPOND TO THIS ALLEGATION?

A. This allegation is simply not supported by the record or otherwise. DESC has responded to over 90 discovery requests in this docket from the parties of record. With respect to SACE and CCL—the entities Witness Sercy represents—DESC has responded to 3 separate sets of discovery, totaling 14 requests. In fact, DESC provided 7 sets of responses earlier than the required deadline, including one such response that went out the very next day after receiving such request. The following bullet points illustrate each time DESC responded to an intervenor discovery request earlier than the permitted 20-day deadline:

- Department of Consumer Affairs (“DCA”) #2 (**16 day turnaround** – requests submitted to DESC on July 13, responses provided on July 29).
- DCA #3 (**1 day turnaround** – requests submitted to DESC on August 2, responses provided on August 3).
- CCEBA #2 (**18 day turnaround** – requests submitted to DESC on July 2, responses provided on July 20).
- Pine Gate Renewables #1 (**16 day turnaround** – requests submitted to DESC on July 13, responses provided on July 29).
- CCL/SACE #1 (**19 day turnaround** – requests submitted to DESC on May 28, responses provided on June 16).
- CCL/SACE #2 (**17 day turnaround** – requests submitted to DESC on July 2, responses provided on July 19).
- CCL/SACE #3 (**6 day turnaround** – requests submitted to DESC on July 13, responses provided on July 19).

1 Each time, DESC responded openly and transparently—which is supported by the
2 fact that neither SACE, CCL, nor any other party of record filed a Motion to Compel
3 in this docket. Likewise, Witness Horii expressly states in his testimony that DESC
4 has been transparent in this docket and noted that DESC:

5 [P]rovided information in its filings and data responses that allowed
6 me to assess the reasonableness of its proposals, to make important
7 improvements to the assumptions, and follow those changes through
8 the models so that I could derive my recommended tariffs and PPA
9 rates.⁶
10

11 As such, Witness Sercy's claim that DESC has been anything less than open and
12 transparent is simply unsupported. To the extent that any party of record did not
13 obtain its desired information after such an extensive discovery process, it appears
14 that such lack of information arises from the nature or timing of the requests
15 submitted by such party, rather than any action by DESC to impede such efforts.
16

17 **CONCLUSION**

18 **Q. DOES THIS CONCLUDE YOUR PRE-FILED REBUTTAL TESTIMONY?**

19 **A.** Yes.

⁶ Direct Testimony of Brian Horii, p. 19, ll 19-22.